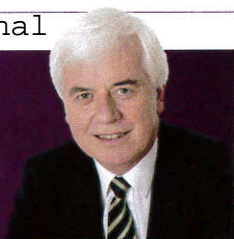


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THE UNEXPECTED BUSINESS BENEFITS OF INSTALLING A NEW ERP SYSTEM

During the early stages of the selection and implementation of a new ERP system, expectations are high on both sides for the advantages that the new system will generate. Usually, many of these will have been identified up front as justification for the investment in the first place. However, once the system is in place and settling down, a more interesting picture begins to emerge.

As part of the deployment process, “as is” and “to be” scenarios are extensively debated to bridge the communication gap between the deployment partner and customer. Part of this involves challenging existing practices. The objective is to ensure that unnecessary processes are eliminated if they can be carried out more efficiently within the new system. This sometimes uncovers a myriad of inefficiencies.

Of course, once the system has bedded in, the newly refined processes begin to produce unexpected business benefits. These have, in some cases, provided some notable comments. For example, one fresh produce company reported a 4.5 per cent increase in gross margin. Had this been used as the justification for the system, it would have been laughed out of the boardroom. Another was delighted to report that despite achieving satisfactory business growth, his admin costs had halved.

Supply chain transparency brought unanticipated benefits to another group of companies. “Before we installed the system, from intake to dispatch we were operating in a fog,” quoted the financial director. “Now we know where everything is in real time. This alone has more than paid for the system.” Again, using this as justification wasn’t in the board papers as it wasn’t easy to envisage or quantify. Another reported that traceability audits had been cut from 11 hours to 15 minutes. Again, this hadn’t been flagged as a possible cost justification.

The most successful companies in achieving unexpected benefits were those who welcomed having their existing practices challenged. These operated in true partnership mode and were keen to benefit from best practice across a wider spectrum. Those who wanted to cling to the past “because we have always done it this way” tended to replicate their old system on the new platform. While they gained substantial advantages from the technology advances, progress was much slower in gaining the added insight that the others had.

The key messages are that it is prudent to set out your minimum expectations when selecting a suitable ERP system for your business. However, once successfully deployed, there may be some unexpected benefits. Engaging in a partnership with an experienced supplier who has the industry knowledge to challenge existing practices could pay significant business dividends. They will have the expertise to guide you safely through the implementation phase while you collect vital data that can then be exploited for commercial purposes. — FPJ